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1 July 1948

MEMORANDUM FOR RECORD

SUBJECT: Conversation with Stevens

Stevens and I had a two and a half hour discussion this date in a hotel room, largely devoted to general principles and a further explication of how certain Hungarian emigres, now in New York, could be used on the ICON operation. Stevens, who has not been briefed on our interest in ICON, was thinking primarily in terms of the techniques we should use in gathering clandestine intelligence on Hungary. He expressed a strong belief in the principle of using intermediate figures, who would be completely controlled by us for the purpose, rather than relying on the past, as we have been with Mr. Himler who was in general charge of Hungarian intelligence, on a fairly open contact with more prominent figures. Stevens suggested that Rome would be a natural center for such efforts. He proposed one name of an individual there, and the name of another individual presently in Salzburg, who could be used in this effort.

He then quite naturally moved into discussion of the principle that such intermediate figures, who could be truly controlled by us, could be used for ICON

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operations as well. The invariable tendency of top political leaders to intrigue among themselves, to exploit and make public any American support given them, would be obviated to a large measure if we instead used these intermediate figures to carry out our aims. If they were told that they must not make known to ~~their~~ political chiefs that they were being backed by the Americans, they could work both for us and their political chiefs without incurring the disadvantages that result from working directly with the principle political figures. By the same token, we would further gain in security because the generally known activities of the political leaders would be the subject of Soviet CE operations, whereas these less prominent would not come under the scrutiny of Soviet CE efforts.

We then discussed the use of Victor Vator, who is the banker financing the principal Hungarian language newspaper in the United States. Stevens, who has had a number of nominal journalistic contacts with Vator and who is favorably impressed by him, believes that we might work through Vator for ICON purposes. Vator is closely associated with Eckardt, Pfiffer, Sulyok, and to a lesser extent with Szegedy-Maszak, and Nagy. To a certain extent, these figures, all of whom are intriguing among each other against each other, are extremely respectful of Vator.

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who is, because of his wealth, and because of his newspaper ownership, one of the most powerful Hungarians in America today. Stevens approved the suggestion that we pass to Vator the three letters which we have from Hibernator in Budapest, letters which are directed to Sulyok, Pfiffer, and Szegedy-Maszak. These letters simply request guidance and support from these individuals for one of their former parliamentary representatives who remains in Budapest. It was felt that Vator could say that he received these letters through a friend of the government in Washington, and that any replies to them could be sent back to the ~~sender~~ <sup>writer</sup> through him. From this initial step, it is possible that we could move on to a further development and exploitation of these political leaders without their being able to capitalize on the fact that the United States government was exploiting their activities. Vator could quite naturally allege that he was providing some of the funds that they were expending.

This proposal has, however, the disadvantage of the fact that it necessitates dealing through Stevens with Vator, who has been in the United States for some time. It is believed that Vator was, during the war, an FBI informant. He told Stevens that he acted as an intelligence agent for the government during the war.

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It will thus be necessary to obtain clearance for any such steps, but once this has been obtained, working through ~~Var~~<sup>Var</sup> seems to be our best technique of controlling the imigre Hungarian groups.

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SUBJECT: Peter Zero

According to Stevens, Zero was in Salzburg in March 1948. He, at that time, was maintaining contact within Hungary, for the CIC of Salzburg. Stevens alleges that Zero was dissatisfied with his handling from CIC and believes that we could readily separate him from them, particularly if we could give some sort of assurance that he could come here on a visitor's visa. Zero is working in part with the Kruchina group in the British zone and is passing on to CIC some of the information which he receives through this channel. Stevens believes that Zero could separate off from the Kruchina group certain of its individuals for his own use.

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SUBJECT: Hadjnay

Stevens stated that Hadjnay, who has been in contact with [ ] since 1945, has never been properly exploited by them. Stevens is of the opinion that he still maintains contacts in military and political circles in Budapest. He is cognizant that Hadjnay never got any worthwhile information under [ ]'s control, but said that this was because he had never been given specific targets and direction. Hadjnay is said to be very security minded, which is evidenced by the fact that he maintains residence in the Collegium Hungaricum which is run by the Communists.

(attach 2.)

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